



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0099	Title:	Revise insure Montana small business health insurance laws
Primary Sponsor:	Cohenour, Jill	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$5,820,356	\$5,820,253	\$0	\$0
State Special Revenue	(\$2,812,000)	(\$2,855,000)	(\$2,899,000)	(\$2,943,000)
Federal Special Revenue	\$0	\$5,820,253	\$11,815,114	\$11,992,341
Other	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$5,820,253	\$11,815,114	\$11,992,341
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$5,820,356)</u>	<u>(\$5,820,253)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 99 requires the State Auditor's Office (SAO) to administer a revised Insure Montana program that provides premium incentives to small businesses that offer a health insurance plan and that pay 100% of the premium for their employees, while eliminating the Insure Montana tax credit and premium assistance programs. SB 99 allows the commissioner to set the amount of the incentive at a level of up to 50% of the monthly premium paid by the employer for the employees. For the second half of FY 2017 and beyond, it is anticipated that the state will receive a waiver from the federal government under the Affordable Care Act to allow for the state to control federal dollars targeted to Montana small businesses and use those dollars to fund the new Insure Montana program beyond January 2017. Personal services of 5.00 FTE and associated operating costs would be required to run the program.

FISCAL ANALYSIS

Assumptions:

State Auditor's Office (SAO)

1. The bill establishes the Insure Montana small business premium incentive program (Insure Montana program) and phases out the Insure Montana small business health insurance pool.
2. The SAO will oversee the new Insure Montana program which would begin January 1, 2016.
3. It is expected that all current 1,172 businesses and their 3,517 employees who participated in Insure Montana as of September, 2014 will participate in the new Insure Montana program on January 1, 2016.
4. The monthly premiums for these 3,517 employees total approximately \$1,832,820 per month. The SAO assumes the premium incentive will be set at the highest allowed rate of 50%. The total premium incentive for the second half of FY 2016 would be \$5,498,460 (50% of the monthly premium of \$1,832,820 for a total premium incentive of \$916,410 per month for 6 months).
5. The total premium for FY 2017 is estimated to be \$10,966,920 funded for the first half of the year from the general fund and the second half of the year from anticipated federal funds. Premiums in FY 2018 and FY 2019 are anticipated to be \$11,161,874 and \$11,329,302, respectively, funded from anticipated federal funds.
6. The Executive Budget for the 2017 biennium includes funding for 5.00 FTE with salaries and benefits in the first half of FY 2016 (July 1, 2015 through December 13, 2015).
7. Under this bill, there would be 5.00 FTE employed by the program with salaries and benefits of \$162,196 for the second half of FY 2016 (January 1, 2016 through June 30, 2016).
8. Under this bill, there would be 5.00 FTE employed by the program with full-year salaries and benefits of \$324,186 in FY 2017, \$329,049 in FY 2018, and \$333,985 in FY 2019.
9. This fiscal note includes operating costs equal to \$159,700 in FY 2016 (second half of the fiscal year) and \$319,400 for the 12 months of FY 2017 for contract services for system maintenance, rent, indirect costs, SABHRS warrant writing, office supplies, training, and travel. These operating costs would continue for FY 2018 and FY 2019 with a 1.5% inflation factor applied.
10. For calendar year 2017 and beyond, SAO assumes it will be successful in receiving a waiver for flexibility and relief from requirements of the federal Patient Protection and Affordable Care Act to allow for the state to control federal dollars targeted to Montana small business.
11. The total amount of premium incentive payments provided to eligible small employers may not exceed the amount of available state, federal, and private funding for the program.

Department of Revenue (DOR)

12. Under current law, a business may be eligible to receive a refundable tax credit through the Insure Montana Tax Credit program. The credit amounts are \$100 per employee per month, \$100 per spouse per month, and \$40 per dependent per month (with a maximum of two dependents).
13. Under the proposed bill, the Insure Montana Tax Credit would be eliminated at the start of CY 2016.
14. In TY 2013, individuals claimed \$2,028,400 in refundable tax credits for the Insure Montana small business health insurance credit. For TY 2010 through TY 2012 the annual credit amounts were \$2,938,678, \$2,183,069, and \$1,876,550 respectively.
15. For TY 2012, C corporations claimed \$667,413 in refundable tax credits for the Insure Montana small business health insurance credit. For TY 2010, C corporations claimed \$996,647, with \$753,856 in refundable credits for TY 2011.
16. The Insure Montana program is funded from the state tobacco and cigarette taxes. Annual tax credit amounts are limited by the funding available to the Insure Montana program. It is assumed that annual credit amounts for the individual income and corporate income taxes will grow each year in proportion to the growth in consumer spending on tobacco.

17. HJ 2 projects that consumer spending in Montana will increase from \$105.242 million in FY 2015 to \$106.805 in FY 2016 and \$108.512 in FY 2017, which provides an average annual growth rate of 1.54%.
18. Based on a growth rate of 1.54%, the Insure Montana small business health insurance credit for the individual income tax is projected to increase to \$2,091,356 in TY 2015, \$2,123,563 in TY 2016, \$2,156,266 in TY 2017, \$2,189,472 in TY 2018 and \$2,223,190 in TY 2019.
19. With an annual growth rate of 1.54%, the Insure Montana small business health insurance credit for the corporate income tax is projected to increase to \$698,725 in TY 2015, \$709,485 in TY 2016, \$720,411 in TY 2017, \$731,506 in TY 2018, and \$742,771 in TY 2019.
20. Based on projected small business health insurance credit amounts for the individual and corporate income taxes, it is assumed that the proposed bill's elimination of the credit would increase income tax collections by \$2.812 million in FY 2016, \$2.855 million in FY 2017, \$2.899 million in FY 2018 and \$2.943 million in FY 2019.
21. Under current law, the loss of revenue to the state's general fund directly due to the Insure Montana Tax Credit program is offset from the state's health and Medicaid initiatives state special fund. Because of this, it is assumed that the proposed bill will also reduce general fund revenues in direct proportion to the projected size of the small business health insurance credit in future years (\$2.812 million in FY 2016, \$2.855 million in FY 2017, \$2.899 million in FY 2018 and \$2.943 million in FY 2019).
22. Under the proposed bill, the elimination of the tax credit will eliminate the expenditures from the health and Medicaid initiatives state special fund that were made to cover the general fund losses caused by the small business health insurance credit (\$2.812 million in FY 2016, \$2.855 million in FY 2017, \$2.899 million in FY 2018 and \$2.943 million in FY 2019).
23. To implement the change in the Insure Montana program, the Department of Revenue will need to make several changes to the tax forms for the individual income tax and corporate income tax. However, the Department of Revenue updates its income tax forms each year to accommodate any changes to the income tax code. As a result, the department will incorporate these changes during the annual forms design process.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.50	5.00	5.00	5.00
<u>Expenditures:</u>				
Personal Services	\$162,196	\$324,186	\$329,049	\$333,985
Operating Expenses	\$159,700	\$319,400	\$324,191	\$329,054
Benefits	\$5,498,460	\$10,996,920	\$11,161,874	\$11,329,302
Transfers	(\$2,812,000)	(\$2,855,000)	(\$2,899,000)	(\$2,943,000)
TOTAL Expenditures	<u>\$3,008,356</u>	<u>\$8,785,506</u>	<u>\$8,916,114</u>	<u>\$9,049,341</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$5,820,356	\$5,820,253	\$0	\$0
State Special Revenue (02)	(\$2,812,000)	(\$2,855,000)	(\$2,899,000)	(\$2,943,000)
Federal Special Revenue (03)	\$0	\$5,820,253	\$11,815,114	\$11,992,341
TOTAL Funding of Exp.	<u>\$3,008,356</u>	<u>\$8,785,506</u>	<u>\$8,916,114</u>	<u>\$9,049,341</u>
<u>Revenues:</u>				
General Fund (01)	\$2,812,000	\$2,855,000	\$2,899,000	\$2,943,000
General Fund Transfers (01)	(\$2,812,000)	(\$2,855,000)	(\$2,899,000)	(\$2,943,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$5,820,253	\$11,815,114	\$11,992,341
TOTAL Revenues	<u>\$0</u>	<u>\$5,820,253</u>	<u>\$11,815,114</u>	<u>\$11,992,341</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$5,820,356)	(\$5,820,253)	\$0	\$0
State Special Revenue (02)	\$2,812,000	\$2,855,000	\$2,899,000	\$2,943,000
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Technical Notes:**Department of Revenue**

1. If a waiver and federal funding is not secured by January 2017, the program would need to be funded from the general fund or would not operate for lack of funding.
2. Section (2) of the bill amends 15-31-130, MCA, to state that "There is a tax deduction for the amount of premium paid for a group health plan that is **not** covered by the premium incentive payment paid under the Insure Montana program and is not otherwise covered by a tax credit."
3. However, Section (12) of the bill amends 33-22-208(9), MCA, to state "The commissioner shall transmit to the department of revenue, at least annually, a list of eligible small employers that are taxpayers entitled to deduct the premium incentive payment as provided in 15-31-130..."
4. Section (2) of the bill states that an individual cannot deduct the premium incentive payment, while Section (12) of the bill states that the commissioner needs to transmit the taxpayers who are eligible to deduct the premium incentive payment. The fiscal impact of a deduction is not calculated in this fiscal note since these two sections of the bill conflict.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date